



THE HEALTH CARE SECURITY AND COST REDUCTION ACT

AFFORDABLE AND ACCESSIBLE HEALTH COVERAGE FOR CALIFORNIA

The Health Care Security and Cost Reduction Act ensures that all Californians have access to health coverage.

Assembly Bill X1 1, the Health Care Security and Cost Reduction Act:

- Requires that all Californians take responsibility for their health coverage (individual mandate).
- Guarantees that no Californian will be turned away from buying insurance based on their age or medical history (guarantee issue).
- Spreads responsibility across individuals, government, hospitals and employers (shared responsibility).
- Makes coverage more affordable for individuals and families through tax credits and subsidies.
- Helps keep hospitals and emergency rooms open by increasing Medi-Cal reimbursement rates.
- Allows individuals to choose their health coverage and keep their current insurance.

The Health Care Security and Cost Reduction Act ensures that all Californians take responsibility for their health care.

This legislation establishes a variety of options to achieve this: It provides assistance to low- and middle-income families; creates a purchasing pool that allows individuals to benefit from affordable rates; expands eligibility for programs such as Medi-Cal and the Healthy Families Program; and increases access to community clinics and county-based health care programs; and other measures.

Everyone who already has insurance can keep it.

No one will be forced to change insurance plans under the Health Care Security and Cost Reduction Act. Californians who currently have health insurance will be able to keep the insurance they have, and will have more options should they choose to change.

The Health Care Security and Cost Reduction Act lowers costs and expands choice.

Like the current health care system, the Health Care Security and Cost Reduction Act is market-based and competitive. The fundamental difference is that now insured Californians will no longer be forced to cover the uninsured and all Californians will be able to buy insurance.

The Health Care Security and Cost Reduction Act guarantees that everyone can get insurance.

Under this legislation, Californians who want to buy insurance can, regardless of their age or medical history.

- When fully implemented, insurers will only be able to vary rates based on age, family size and geography. New rating rules will be phased in over a four-year period. During this time, limited variations based on medical history will be allowed and reforms will limit how much older people are charged.
- The plan also brings greater transparency to the insurance market by requiring insurers to spend at least 85 percent of every premium dollar on patient care.

The Health Care Security and Cost Reduction Act puts affordable coverage within everyone's reach.

This legislation increases affordability for everyone and controls rising medical costs by expanding coverage, improving access to preventive care and reducing costly, unnecessary emergency room visits. It:

- **Provides affordable coverage.** The state will create a new purchasing pool that will provide access to subsidized, affordable coverage to individuals and families with incomes between 100-250 percent of the poverty level. As a result, low-and-middle income people will be able to buy an affordable health insurance plan. The Act limits how much Californians will contribute toward the cost of their premium based on income.
 - 100-150 percent of poverty: No contribution
 - 151-250 percent of poverty: Premium limited to no more than 5 percent of income
- **Protects middle-income Californians.** The Act protects working families with higher incomes as well.
 - *It provides a tax credit:* Those earning between 250-400 percent of poverty will receive a tax credit if the cost of buying insurance exceeds 5.5 percent of income. The Act also calls for an additional tax credit to make health care more affordable for early retirees.

- *It helps people pay their premiums:* Anyone with an income above 250 percent of poverty who works for an employer who doesn't offer coverage will get a contribution toward their premium.
- **Expands Medi-Cal.** This legislation makes Medi-Cal available to childless adults with incomes up to 100 percent of the poverty level.
- **Expands the Healthy Families Program.** The legislation expands Medi-Cal and the Healthy Families Program to provide no/low-cost comprehensive health coverage to all children with family incomes below 300 percent of the federal poverty level. This means that more low-income children will be able to go to the doctor instead of going to an emergency room.
- **Provides a strong community clinic safety net.** The legislation increases funding for the Early Access to Primary Care Program to provide cost-effective clinic services to low-income Californians who aren't eligible for other state subsidized coverage.
- **Allows affordability and limited hardship exemptions.** The legislation recognizes that some lower income people who aren't eligible for state subsidized coverage (coverage through the pool, Healthy Families, Medi-Cal) may not be able to afford to buy insurance.
 - So, to ensure that these people are getting primary care but not misusing our emergency rooms, the Act provides them with low-cost ways to get care through clinics and county-based services. Specifically, the legislation:
 - Provides an exemption to people with incomes below 250 percent of poverty, whose cost for the required coverage exceeds 5 percent of their income, to opt out of the individual requirement to purchase insurance.
 - Allows Managed Risk Medical Insurance Board (MRMIB) to grant limited temporary or permanent exemptions to people who demonstrate that they are facing significant financial hardship or otherwise cannot afford coverage.

The Health Care Security and Cost Reduction Act gives working Californians and employers tax breaks.

The legislation requires employers to let employees pay their health insurance premiums on a pre-tax basis through IRS Code Section 125 plans. This will bring significant tax savings to middle-income Californians and their employers. By paying for health care benefits on a pre-tax basis, employees and employers will save approximately \$2 billion dollars in state and federal income taxes and federal payroll taxes. The expected cost to an employer to establish a Section 125 plans is \$200 or less.

The Health Care Security and Cost Reduction Act protects patients, providers and the state budget.

- Requires that insurers spend no less than 85 cents of every premium dollar on your medical care.
- Increases access and promotes affordable care by reforming regulations, expanding the use of nurse practitioners and physician assistants, enhancing retail clinics, and other measures.
- Promotes the use of health information technology and requires that all health providers have the capacity to e-prescribe by 2012.
- Promotes quality improvements and increases access to price and quality information through a significant transparency initiative and pay-for-performance efforts.
- Reduces pressure on California's General Fund by securing new federal funds that will raise Medi-Cal reimbursements to doctors and hospitals.

The Health Care Security and Cost Reduction Act promotes prevention, wellness and personal responsibility to keep Californians healthier and costs lower.

The legislation rewards healthy choices and tackles chronic conditions, like obesity and diabetes, to promote better health and contain costs. AB X1 1:

- Structures health benefits to promote prevention, wellness and healthy lifestyles.
- Requires health plans and insurers to offer benefits packages that reward individuals who meet certain health goals.
- Creates diabetes, obesity and smoking cessation initiatives to improve the lives of Californians and keep down medical costs.

Graph 1: How California Will Pay For Health Care Reform

California voters will be asked to approve how the AB X1 1 is financed on the November 2008 ballot.

Federal Funding	\$4.6 billion
Individuals*	\$2.1 billion
4 Percent Hospital Fee	\$2.3 billion
Employer Contribution	\$2.6 billion
Tobacco Revenues	\$1.5 billion
County And Other Funds	\$1.6 billion

* The \$2.1 billion from individuals does not represent any new dollars from individuals paying for their insurance now.

Graph 2: How The Federal Poverty Level Translates To Earnings

	Annual Income	Percent of Federal Poverty Level	Monthly Income	5 Percent of Monthly Income	5.5 Percent of Monthly Income
Individual	\$10,210	100%	\$851	\$43	\$47
	\$15,315	150%	\$1,276	\$64	\$70
	\$20,420	200%	\$1,702	\$85	\$94
	\$25,525	250%	\$2,127	\$106	\$117
	\$30,630	300%	\$2,553	\$128	\$140
	\$35,735	350%	\$2,978	\$149	\$164
	\$40,840	400%	\$3,403	\$170	\$187
Couple	\$13,690	100%	\$1,141	\$57	\$63
	\$20,535	150%	\$1,711	\$86	\$94
	\$27,380	200%	\$2,282	\$114	\$125
	\$34,225	250%	\$2,852	\$143	\$157
	\$41,070	300%	\$3,423	\$171	\$188
	\$47,915	350%	\$3,993	\$200	\$220
	\$54,760	400%	\$4,563	\$228	\$251
Family of Four	\$20,650	100%	\$1,721	\$86	\$95
	\$30,975	150%	\$2,581	\$129	\$142
	\$41,300	200%	\$3,442	\$172	\$189
	\$51,625	250%	\$4,302	\$215	\$237
	\$61,950	300%	\$5,163	\$258	\$284
	\$72,275	350%	\$6,023	\$301	\$331
	\$82,600	400%	\$6,883	\$344	\$379